SUMMARY STATEMENT

ITEM NO. | SUBJECT: Benefits Administration Contract (DRPA)

COMMITTEE: New Business

COMMITTEE MEETING DATE: N/A

BOARD ACTION DATE: September 17, 2008

PROPOSAL: Staff seeks Board authorization to enter into an agreement with The Benefit Harbor to continue benefit administration, consulting and product marketing services that The Benefit Headquarters had agreed to provide under a three-year agreement. Utilization of a Third Party Administrator has reduced the need for additional staff and other resources that would have been otherwise required internally to accommodate this function.

PURPOSE: To provide the DRPA, its benefit-eligible employees and retirees with a broad range of enhanced employee benefit support services, effective cost control initiatives, and program administration services.

BACKGROUND: Since 2000, the DRPA and PATCO has contracted with a Third Party Administrator to assist DRPA & PATCO staff in designing, marketing and administering various employee benefit programs. Employee benefit plan administration is a highly regulated field and The BHQ assists the DRPA and PATCO in ensuring compliance with a complex series of laws, regulations and statutes. Over the last several years The BHQ’s extensive resources have aided the DRPA and PATCO in making significant progress in controlling the cost of employee benefits.

On June 19, 2006, staff issued a Request for Proposal for providers of professional benefit administration services. On July 6, 2006, a mandatory pre-proposal meeting was held, and the following seven (7) firms were represented: ADP; Managed Care of America; Bank of America; Mercer Health & Benefits; Trion; Kistler; Tiffany Benefits; and BHQ. Proposals were due on July 20, 2006. The DRPA and PATCO received proposals from the following two firms: 1) The Benefit Headquarters and 2) ADP. On September 19, 2006, ADP advised staff that it could not provide some of the services outlined in the RFP, and formally withdrew its proposal for consideration. This left staff with one proposal to consider.

After careful review, staff determined that The BHQ proposal is entirely responsive to the RFP, strategically aligned with ongoing initiatives to control benefit plan costs, improve services to
employees/retirees and eliminate administrative burdens. In addition, the BHQ proposal offers a reduction in the monthly rate charged per benefit-eligible employee/retiree from $13.50 to $12.50.

On September 19, 2007, staff sought Board authorization to enter into a professional service agreement with The Benefit Headquarters ("BHQ") for a three-year term. The agreement authorized the BHQ to continue to serve as the DRPA and PATCO’s Third Party Administrator (TPA).

In June 2008, staff learned that BHQ had sold its third party benefit administration division to The Benefit Harbor, a firm headquartered in Dallas, Texas. In August 2008, staff met with members of BHQ and The Benefit Harbor to determine whether we should recommend continuing our contract with The Benefit Harbor. During that meeting, staff learned that The Benefit Harbor had committed to establish a Philadelphia presence to ensure solid customer service. After lengthy discussions, and after obtaining a commitment from the President of The Benefit Harbor to lock in our existing rate until completion of the contract, plus an additional year, staff determined that it would be in the best interest of the Authority to continue the relationship with The Benefit Harbor. The agreement provides that the Authority can cancel the contract for any reason, with 30 days advanced notice.

SUMMARY:

Amount: Approximately $180,000 per year
(Note – This covers both DRPA and PATCO)
(The annual rate is based upon the current DRPA/PATCO census, but is subject to change as our census changes.)

Source of Funds: Revenue Fund, General Fund
Capital Project #: N/A
Operating Budget: Benefits Administration
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: Three Years
Other Parties Involved: The Benefit Harbor
RESOLUTION

RESOLVED: Staff is hereby authorized to enter into an agreement with The Benefit Harbor for a three-year term to provide the Authority with a comprehensive range of professional services for administration, consulting and product marketing of all health, life and disability benefits at a monthly fixed cost of $12.50 per benefit-eligible employee/retiree; and be it further

RESOLVED: The Chairman, Vice Chairman and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chairman, Vice Chairman and Chief Executive Officer and if thereafter either the Chairman or Vice Chairman is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of the DRPA, along with the Chief Executive Officer. If both the Chairman and Vice Chairman are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such document(s) on behalf of the DRPA.

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